

**REMARKS/ARGUMENTS**

Claims 198, 203-204, 213-214, 216, 219-220, 222-223 and 241-243 were previously pending in the present patent application. Claims 1-197, 199-202, 205-212, 215, 217-218, 221 and 224-240 were previously canceled without prejudice. Applicant herein amends independent claims 198 and 216. Consideration and examination of pending claims 198, 203-204, 213-214, 216, 219-220, 222-223 and 241-243 are respectfully requested.

I. Telephone Interview with the Examiner on December 5, 2006.

Applicant conducted a telephone interview with the Examiner on December 5, 2006. The main topic of discussion was the difference between the claimed invention and Feistel, U.S. Patent No. 3,798,605 which the Examiner has cited as teaching “continuous verification of authorization.” Applicant pointed out that what Feistel teaches is a method of verification that can be used to verify each transmission between a remote and central system. Feistel, in the paragraph cited by the Examiner, states:

It should be recognized by those skilled in the art, that the series of verification communications described above may be implemented in **all communications** between terminal and CPU and need not be limited to three transmissions. Thus, it is possible to have **continuous verification** between terminal and CPU.

Feistel, Col. 8, lines 19-24 (emphasis added). Thus, Feistel simply teaches that if there are communications, each communication can use Feistel’s method of verification. That is what Feistel refers to a “continuous verification.”

Applicant pointed out that the “continuous verification of authentication” recited in the invention is performed during a particular time (during processing of a request for to transfer an item having value in the case of independent claim 198; during performance of secure functions for an item having value in the case of independent claim 216), and

with a particular result if the continuous authentication fails (termination of said transfer or said performance of secure functions). Neither of these additional limitations are taught by Feistel.

II. Amendments to the Claims.

The Examiner requested that Applicant amend the claims to more particularly point out the differences between the claimed invention and Feistel. Applicant has done so, by expressly reciting the actions that take place in the present invention if authentication of verification fails. Applicant has added the limitation:

and to terminate said transfer of said item having value if said authentication is not continuously verified while said request is being processed

to independent claim 198, and the limitation:

terminating said performance of secure functions for said item having value if said authentication is not continuously verified while said secure functions are being performed

to independent claim 216.

Applicant believes that independent claims 198 and 216, as amended, are patentably distinct from Feistel and the other prior art of record, either alone or in combination. The remaining pending claims are dependent on independent claims 198 and 216, and include all the limitations of the respective base claims as well as additional limitations. Accordingly, Applicant believes dependent claims 203-204, 213-214, 219-220, 222-223 and 241-243 are patentably distinct from the prior art of record for the same reasons as independent claims 198 and 216.

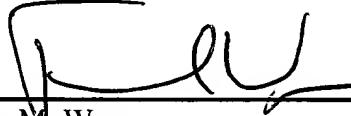
VI. Conclusion

In view of the foregoing amendments and remarks, Applicant respectfully submits that the Examiner's pending objections and rejections are obviated. Applicant respectfully requests that a Notice of Allowance be timely issued for pending claims 198, 203-204, 213-214, 216, 219-220, 222-223 and 241-243.

Respectfully submitted,

THE HECKER LAW GROUP

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By:   
Frank M. Weyer  
Reg. No. 33,050

THE HECKER LAW GROUP, PLC  
1925 Century Park East  
Suite 2300  
Los Angeles, California 90067  
(310) 286-0377

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